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Additional information about the ECOFLEXTRA SERIES

ECOFLEXTRA SERIES

A flexible retirement
income solution

Make the most of your
retirement capital by
ensuring its PROTECTION
and GROWTH.

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ECOFLEXTRA SERIES

A flexible retirement income solution



Make the most of your retirement capital by ensuring its PROTECTION and GROWTH.

Retirement is a crucial step in life. After working hard for many years and making compromises for your career, it's perfectly natural to want the freedom to choose your lifestyle and to enjoy the peace of mind of financial security.

However, there are definite risks that threaten your hard-earned savings. These risks are:

- 1 Outliving (depleting) your retirement capital
- 2 Inflation and decreased purchasing power
- 3 Downturns in financial markets which decrease your savings

Let's look at how to counteract these risk factors

1 Outliving your retirement capital

Canadians now benefit from a longer life expectancy which continues to increase.

Increase in life expectancy for Canadians

	1920	1960	2006
Male	59	68	83
Female	61	74	85

Example

Current age	Life expectancy
65	94% probability of living to age 80 63% probability of living to age 90

Source: Statistics Canada

Future retirees must prepare to live from their retirement income for a period of 30 years or more. **Will your retirement savings allow you to maintain your lifestyle for such a long period of time?**

It is essential to choose an investment vehicle that guarantees you a retirement income for your entire life, no matter how many years that may be.

RISK

Outliving your retirement income

SOLUTION: Ecoflextra series

By selecting the Lifetime Surrender option, you can be sure of receiving a lifetime retirement income,* any time you choose, after age 55. This income continues even if your investments are depleted and their value is reduced to zero.

*When the surrender conditions specified in the contract are respected.

2 Inflation and decreased purchasing power

It is difficult, if not impossible, to know what the inflation rate will be for the next 15 or 20 years. Nevertheless, it is essential to take inflation into account when calculating your retirement income, since it could considerably reduce your purchasing power. During the last 40 years, the inflation rate has widely varied: between 1950 and 2001, the average annual rate was 4.1%, and it reached a peak of 12.4% in 1981.

An annual income of \$50,000 may seem sufficient to you today, but will it be in 15 or 20 years?

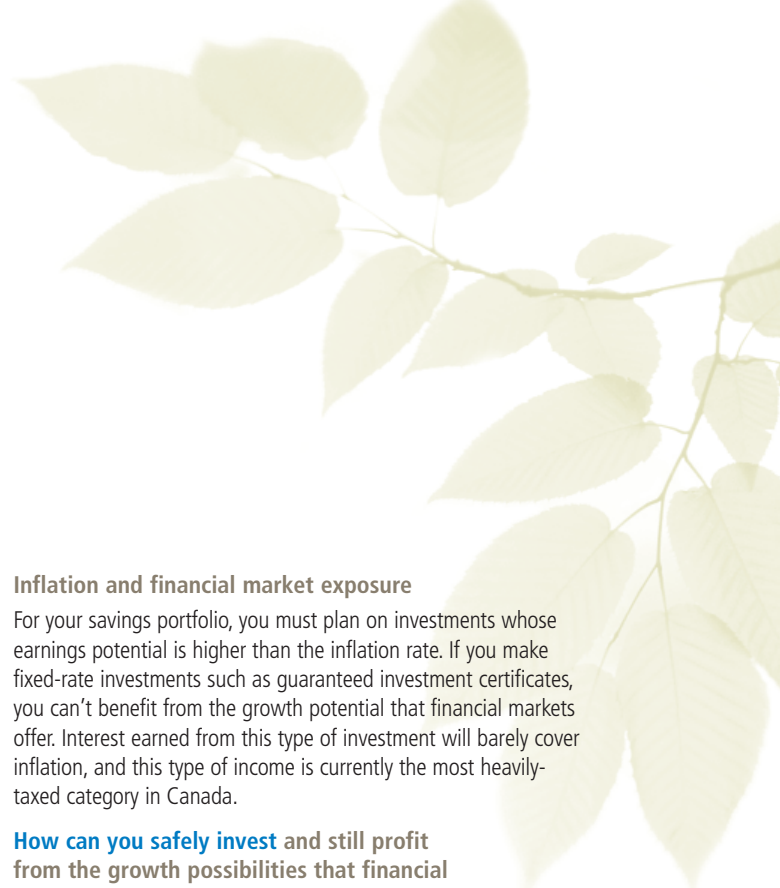
Inflation eats away at the value of income and savings. It especially penalizes Canadian retirees who have a non-indexed income.

INFLATION AND YOUR RETIREMENT INCOME

Due to inflation, which is a generalized and continual rise in prices, the income that allows you to maintain your lifestyle today will no longer suffice in the future. Let's see what amounts would be necessary in the years to come to ensure the same purchasing power as a current income of \$50,000.

Income necessary today: \$50,000			
	Annual average inflation rate		
	2%	3%	4%
10 years	\$60,950	\$67,196	\$74,012
20 years	\$74,297	\$90,306	\$109,556
30 years	\$90,568	\$121,363	\$162,170

This table clearly shows the need to take into account the effect of inflation in your retirement income forecasts and the amounts you will need to maintain your purchasing power at retirement.



Inflation and financial market exposure

For your savings portfolio, you must plan on investments whose earnings potential is higher than the inflation rate. If you make fixed-rate investments such as guaranteed investment certificates, you can't benefit from the growth potential that financial markets offer. Interest earned from this type of investment will barely cover inflation, and this type of income is currently the most heavily-taxed category in Canada.

How can you safely invest and still profit from the growth possibilities that financial markets offer?

Whether you're an aggressive or a moderate investor, be assured that you can now profit from exposure to financial markets without risking your retirement capital.

RISK	SOLUTION : Ecoflextra Series
Inflation eats at your savings and decreases your purchasing power	<ul style="list-style-type: none"> › Access to a series of 46 segregated funds covering all asset categories and management styles. › Access to 11 fund portfolios which offer optimal diversification. These fund portfolios are rebalanced periodically and are overseen by management professionals. › To allow you to benefit from maximum diversity in your investment choices, we also work with reputable outside management firms. These managers meet high quality standards, and a rigorous analysis is conducted to safeguard your financial interests.

3 Market downturns which diminish your savings

Market downturns can have disastrous consequences when they occur in the five to ten years preceding the beginning of retirement, because there isn't enough time to make up for the losses. Even when markets stabilize, the retirement income will be seriously and permanently diminished, because there may not be time to recover from the losses.

Market fluctuations don't have the same consequences when an investor is further away from retirement, in the accumulation phase.

SITUATION 1

Let's look at the effect of market fluctuations on a portfolio where the investor is quite a few years away from retirement—in the accumulation phase.

Investor's age: 40
 Portfolio value: \$60,000
 Period: 25 years, without any surrenders

Age	Scenario 1: Bear markets at the outset and bull markets thereafter		Scenario 2: Bull markets at the outset and bear markets thereafter	
	Yield	Market value	Yield	Market value
40		\$60,000.00		\$60,000.00
41	-6.7%	\$55,980.00	9.7%	\$65,820.00
42	-18.7%	\$45,539.73	17.9%	\$77,568.87
43	-9.9%	\$41,054.07	15.9%	\$89,902.32
44	5.3%	\$43,229.93	-2.1%	\$88,059.32
45	3.2%	\$44,591.67	12.7%	\$99,242.86
46	-11.3%	\$39,552.82	9.6%	\$108,720.55
47	10.7%	\$43,784.97	18.2%	\$128,507.69
48	3.1%	\$45,142.30	14.9%	\$147,655.34
49	-6.6%	\$42,162.91	-3.1%	\$143,151.85
50	12.9%	\$47,601.92	8.8%	\$155,749.21
51	-5.8%	\$44,864.81	18.3%	\$184,251.32
52	11.8%	\$50,136.92	15.7%	\$213,178.77
53	14.1%	\$57,186.17	14.1%	\$243,151.71
54	15.7%	\$66,164.40	11.8%	\$271,724.70
55	18.3%	\$78,272.49	-5.8%	\$256,100.53
56	8.8%	\$85,160.46	12.9%	\$289,137.49
57	-3.1%	\$82,563.07	-6.6%	\$270,054.42
58	14.9%	\$94,864.97	3.1%	\$278,426.11
59	18.2%	\$112,130.39	10.7%	\$308,217.70
60	9.6%	\$122,838.84	-11.3%	\$273,389.10
61	12.7%	\$138,439.38	3.2%	\$282,000.86
62	-2.1%	\$135,601.37	5.3%	\$296,946.90
63	15.9%	\$157,161.99	-9.9%	\$267,697.63
64	17.9%	\$185,215.40	-18.7%	\$217,772.02
65	9.7%	\$203,181.30	-6.7%	\$203,181.30
Average yield	5.0%	\$203,181.30	5.0%	\$203,181.30

We see that the cumulative average yield was the same: 5%. **Regardless of the order of earnings presented in this table, the average yield is always 5%.** What the example shows is that when there is no surrender for a long period, the portfolio is protected against the disastrous effect of major market downturns.



SITUATION 2

Now let's look at the effect of market fluctuations on the level and duration of retirement income if these same yield sequences happen on the threshold of retirement.

In our example, you'll notice that the surrenders made in a bear market period considerably cut into the portfolio's value. The capital surrendered can no longer profit from favourable yields, which will do serious and irreparable damage to the retirement income.

PAUL and MARK

Retirement: age 65

Retirement capital available: **\$203,181.30**

Minimum annual income necessary: 5% of retirement capital ($\$203,181.30 \times 5\% = \$10,159.06$)

Age	Scenario 1: Bear markets in the first years of retirement and bull markets thereafter			Scenario 2: Bull markets in the first years of retirement and bear markets thereafter		
	Yield	Surrender*	Market value	Yield	Surrender*	Market value
65			\$203,181.30			\$203,181.30
66	-6.7%	\$10,159.06	\$180,089.74	9.7%	\$10,159.06	\$211,745.39
67	-18.7%	\$10,159.06	\$138,238.61	17.9%	\$10,159.06	\$237,569.48
68	-9.9%	\$10,159.06	\$115,463.71	15.9%	\$10,159.06	\$263,568.68
69	5.3%	\$10,159.06	\$110,885.79	-2.1%	\$10,159.06	\$248,214.71
70	3.2%	\$10,159.06	\$103,899.62	12.7%	\$10,159.06	\$268,288.72
71	-11.3%	\$10,159.06	\$83,147.87	9.6%	\$10,159.06	\$282,781.03
72	10.7%	\$10,159.06	\$80,798.61	18.2%	\$10,159.06	\$322,239.17
73	3.1%	\$10,159.06	\$72,829.37	14.9%	\$10,159.06	\$358,580.04
74	-6.6%	\$10,159.06	\$58,534.06	-3.1%	\$10,159.06	\$337,794.13
75	12.9%	\$10,159.06	\$54,615.37	8.8%	\$10,159.06	\$356,466.95
76	-5.8%	\$10,159.06	\$41,900.07	18.3%	\$10,159.06	\$409,682.23
77	11.8%	\$10,159.06	\$35,470.92	15.7%	\$10,159.06	\$462,248.30
78	14.1%	\$10,159.06	\$28,870.70	14.1%	\$10,159.06	\$515,652.98
79	15.7%	\$10,159.06	\$21,649.36	11.8%	\$10,159.06	\$564,894.99
80	18.3%	\$10,159.06	\$13,593.02	-5.8%	\$10,159.06	\$522,838.61
81	8.8%	\$10,159.06	\$3,736.15	12.9%	\$10,159.06	\$578,815.21
82	-3.1%	\$3,736.15	\$ -	-6.6%	\$10,159.06	\$531,124.84
83	14.9%	\$ -	\$ -	3.1%	\$10,159.06	\$537,115.71
84	18.2%	\$ -	\$ -	10.7%	\$10,159.06	\$583,341.01
85	9.6%	\$ -	\$ -	-11.3%	\$10,159.06	\$508,412.38
86	12.7%	\$ -	\$ -	3.2%	\$10,159.06	\$513,948.30
87	-2.1%	\$ -	\$ -	5.3%	\$10,159.06	\$530,490.06
88	15.9%	\$ -	\$ -	-9.9%	\$10,159.06	\$469,078.39
89	17.9%	\$ -	\$ -	-18.7%	\$10,159.06	\$373,330.87
90	9.7%	\$ -	\$ -	-6.7%	\$10,159.06	\$338,839.30
Average yield	5.0%	\$166,281.18	\$ -	5.0%	\$253,976.62	\$338,839.30

*This example does not take into account the minimum surrenders required by a RRIF contract.

Although both investors had the same amount at the beginning of their retirement, Paul depleted his capital by age 82. For his part, Mark received \$87,695.44 more than Paul and he still had sizeable savings at age 90.

As you can see, the lead-up to retirement is a critical period in which a savings portfolio is most vulnerable to market volatility. Negative yields combined with surrendered amounts have serious and irreparable consequences on retirement income. For Paul, surrenders made when markets were down will never be recoverable.

RISK	SOLUTION: Ecoflextra Series
Market downturns which diminish your savings	By investing in the Ecoflextra Series, you benefit from a guarantee on the premiums invested. So you know your investments won't go up in smoke when markets are on a downswing. Thanks to the Ecoflextra Series, you are assured of the following advantages: <ul style="list-style-type: none">› Protection against downturns› A guaranteed lifetime income*

*When the surrenders and the portfolio composition specified in the contract are respected.



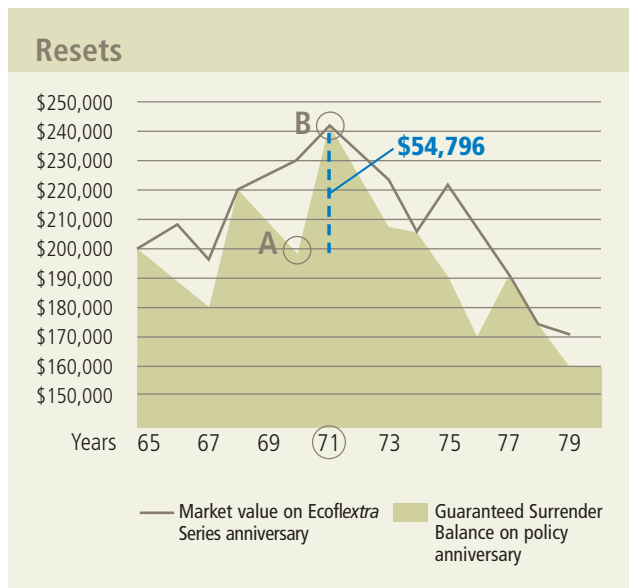


What if we offered you a way to profit from market upswings in total security, and to receive a predictable, durable income with growth potential for life?

Profit from market upswings

Every three years, your investment gains are automatically locked-in. The added value of your savings is vested and therefore increases the minimum amount that you are assured of recovering as retirement benefits.

This key feature of the Guaranteed Minimum Surrender Benefit, called the "Guaranteed Surrender Balance reset" (GSB), increases the amount available for retirement, and, as a result, the future annual benefits.



The table above shows the evolution between the Guaranteed Surrender Balance (GSB)—the value which determines the retirement income—and the portfolio’s market value. Between age 65 and 71, surrenders slightly decreased the GSB, which was at \$198,277 (point A). Nevertheless, at 71, thanks to healthy market earnings, the reset of gains caused the GSB to increase by \$54,796 and brings the value of the GSB up to \$241,500 (point B).

Let's look at this reset in closer detail and see how the **Guaranteed Minimum Surrender Benefit** works for you.

Initial investment in a RRIF contract = \$200,000
 Guaranteed lifetime annual income = \$10,000 (\$200,000 x 5%¹)

As demonstrated in the preceding illustration, the value of the GSB is adjusted upwards, to \$241,500 at age 71. This \$54,796 increase also helps increase the Guaranteed Surrender Amount, which makes up your retirement income. At the second reset, retirement income has increased from \$10,447 to \$12,300—for life!

A reset is automatically done every three years to lock-in any investment gains.

Age	Premiums	Surrenders	Yield	Market value on the Ecoflextra Series anniversary	Guaranteed Surrender Balance ²⁾ on the policy anniversary	Guaranteed Lifetime Surrender Amount ³
65	200,000	10,000	9.12%	200,000	200,000	10,000
66	-	10,000	-0.44%	207,086	190,000	10,000
67	-	10,000	17.85%	195,568	180,000	10,000
68	-	10,000	7.47%	218,936	218,936	10,000
69	-	10,709 ⁴	7.78%	224,157	208,936	10,447⁵
70	-	11,523 ⁴	10.67%	229,757	198,227	10,447
71	-	17,871 ⁴	3.69%	241,500	241,500	10,447
72	-	17,378 ⁴	4.44%	231,549	223,629	12,300⁶

¹The example assumes retirement at age 65. The disbursement rate depends on the age of the annuitant at the time the benefits begin:

Age 55 to 59: 4.0% Age 60 to 64: 4.5% Age 65 to 69: 5.0%
 Age 70 to 74: 5.5% Age 75 and over: 6.0%

²The Lifetime Surrender Amount (LSA) is calculated as follows:

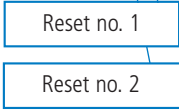
Disbursement rate X Guaranteed Surrender Balance (GSB) as at December 31.

³GSB: premiums invested + bonuses and/or locked-in gains – surrenders

⁴RRIF minimum surrender

⁵GSB x 5%

⁶GSBx 5.5% (new LSA rate corresponding to the attained age when the GSB is reset)



CHALLENGE	SOLUTION: Ecoflextra Series
Profit from market upswings in total security and retain the added value of your investments	Resets are automatically made every three years when the market value of investments in the Ecoflextra Series is higher than the value of the Guaranteed Surrender Balance (GSB). The Lifetime Surrender option resets allow you to increase the guaranteed annual income. Also, when the Guaranteed surrender Balance is reset, the Lifetime Surrender Amount rate is reset according to the attained age.

Note: For the Ecoflextra Series, keep in mind that surrenders in excess of those set out in the contract may decrease the amount of your payments, and modify the Guaranteed Minimum Surrender Benefit.

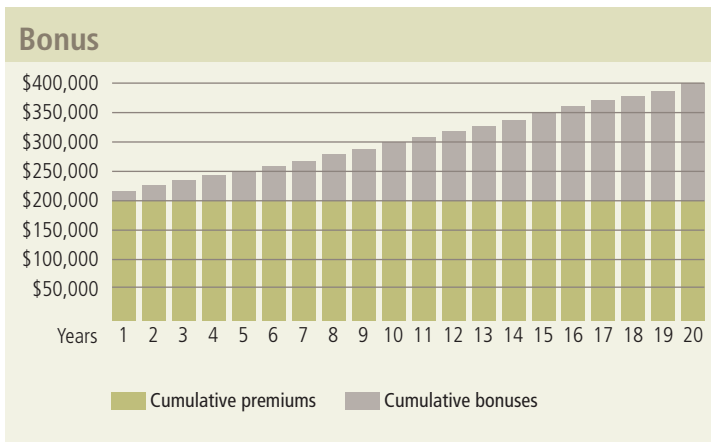


Retirement is still far off? Profit now from a bonus on your savings

The product really interests you, but the payout years are still far, far away? Investors who are further away from retirement are not left out because Ecoflextra offers another advantage to them, too. For example, every year the guaranteed values in the contract increase by 5% if no surrenders were made during the year.

The 5% bonus is credited to increase the Guaranteed Surrender Balance set out in the contract—the value which determines the retirement income.

For example, over a period of 20 years, you are assured of a 100% return



The 5% bonus has a direct effect on the income that you can withdraw at retirement.

In the table below, you can see the difference between a \$200,000 premium paid at age 65 in the Ecoflextra Series, and one paid at age 50.

For the investor who subscribes to a contract 20 years before their expected retirement date, the contract guarantees a 5% bonus, credited every year if no surrender is made. So for 20 years, thanks to the bonus, this investor is guaranteed to obtain a 5% return, even when markets are down. At age 65, this investor's annual retirement income has increased from \$10,000 to \$20,000. They therefore profit from a 100% increase in their guaranteed retirement income. This is a considerable advantage during the accumulation period, and particularly during the years preceding retirement.

	Invested at age 65	Invested at age 45
Premium	\$200,000	\$200,000
Bonus	\$ -	\$200,000
Guaranteed Surrender for retirement income	\$10,000	\$20,000

The scenario illustrated above reflects the following elements: a single premium of \$200,000 and no surrenders for 20 years.

The Ecoflextra Series is the ideal investment vehicle to safely profit from the growth of financial markets, while benefiting from a retirement income guaranteed for life.



Your investments in the Ecoflextra Series

When you invest in the Ecoflextra Series, an entire financial world opens up to you. Besides the numerous guarantees offered by the Ecoflextra Series, you profit from diversification of your investments through a wide range of investment funds and portfolios carefully chosen to help you reach your investment goals.

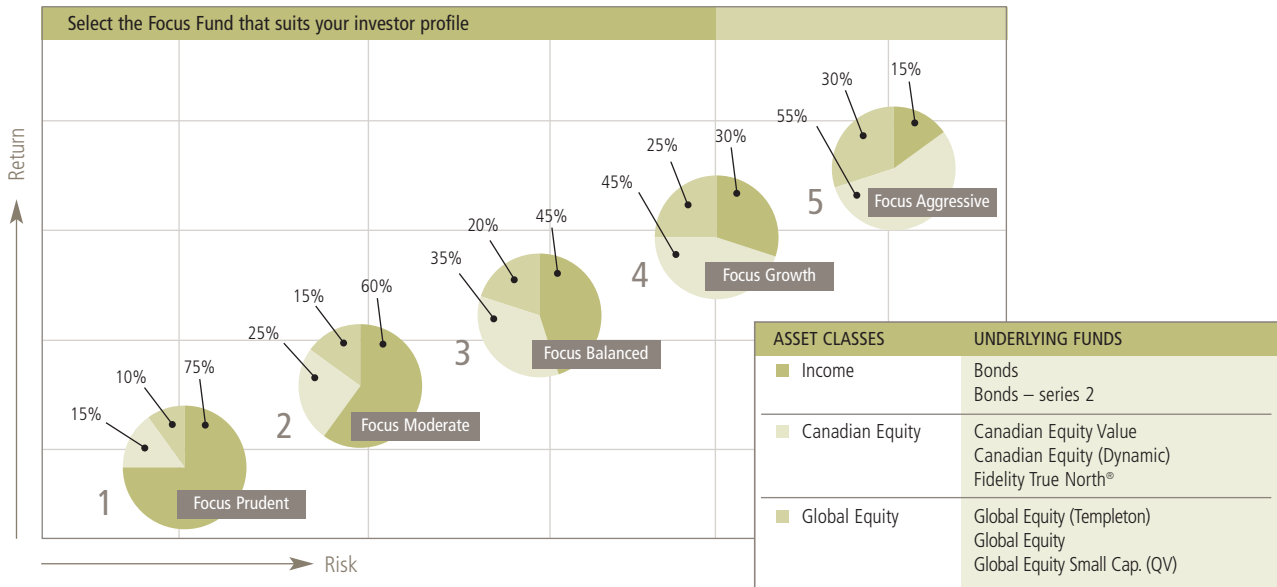
Our investment funds, commonly called segregated funds, are an excellent opportunity to invest in financial markets. One of our main strengths is giving you, in a single contract, access to a number of renowned portfolio management teams.

In addition to our experienced managers, and to allow you to benefit from maximum diversification, we also rely on reputable outside management firms such as Fidelity Investments, Mackenzie Cundill, Dynamic Investment Funds, IA Clarington, Franklin Templeton Investments, Phillips, Hager & North, etc.

Focus Fund Portfolios

Since it's not easy to build a diversified portfolio on your own when the economy and markets are constantly evolving, we have created the Focus fund portfolios, which feature the five elements essential to a successful portfolio: strategy, diversification, performance, personalized composition and security.

One of the most important features of Focus funds is the monthly rebalancing of asset classes and funds associated with it. By investing in the Focus funds corresponding to your investor profile, you are ensured that your investment always matches your profile. Each Focus fund targets an allocation of asset classes to achieve the optimal point between risk and return associated with your investor profile.



Access to your savings

Is it possible for you to withdraw an additional amount?

Of course! When you invest in the Ecoflextra Series, you have access to your investments at all times, whether it's to make a large purchase or deal with unforeseen circumstances. **For the Ecoflextra Series, keep in mind that surrenders in excess of those set out in the contract may diminish the amount of the payments and modify the Guaranteed Minimum Surrender Benefit.**

ECOFLEXTRA SERIES

A flexible retirement income solution



Solution: the Ecoflextra Series

The Ecoflextra Series is mainly for retirees or investors who are 20 years or less from retirement. This series of 46 funds offers reassuring advantages for people seeking guarantees and growth potential superior to what GICs and bonds have to offer.

You can now make a secure investment, which offers a guaranteed retirement income, and potential growth—for life!

Here's what the Ecoflextra Series offers for your retirement income.

YOU WANT...	WE OFFER...
Investment protection	A 100% capital guarantee at death.
Guaranteed retirement income	The guarantee of receiving a fixed and stable retirement income for life.
Retirement income that could even increase over time to counteract inflation	A 5% bonus, credited for each of the first 15 years when there were no withdrawals made during the year. A guaranteed 75% return.
The possibility of protecting the added value of your investments	The added value of your investments is automatically protected every three years. This ensures that your gains are protected against market downturns.
Protection against possible creditors	The possibility of making your savings unseizable, an important advantage for self-employed workers and business owners.
Values that can be transferred	After your death, Ecoflextra offers you the unique advantage of retaining in full all the values accumulated in the contract and transferring them to the successor of your choice so that he/she may continue to benefit from them.
The transfer of your savings to your beneficiaries upon your death	The direct transfer of your funds to your beneficiaries, without the usual probate costs.

The Ecoflextra Series, the revolutionary solution for your retirement income.

About the company

Founded in 1892, Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company which offers a wide range of life and health insurance products, savings and retirement plans, RRSPs, mutual and segregated funds, securities, auto and home insurance, mortgage loans and other financial products and services.

The fourth largest life and health insurance company in Canada, Industrial Alliance is at the head of a large financial group, which has operations in all regions of Canada, as well as in the United States.

Industrial Alliance contributes to the financial wellbeing of over three million Canadians, employs more than 3,700 people, and manages and administers over \$67 billion in assets. Industrial Alliance stock is listed on the Toronto Stock Exchange under the ticker symbol IAG. Industrial Alliance is among the 100 largest public companies in Canada.



The elephant,
symbol of our 100 years
of strength and longevity.

